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SUBJECT: French Textile and Apparel Industry

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Summary

1. (U) Per reftel request, the Federation of the French Textile and Apparel Industry (UIT - Union des Industries Textiles) provided us with an update on developments in 2006 and initial estimates for sector performance in 2007. In 2006, the French textile sector experienced growth in household consumption, exports and overall turnover, and significantly increased research and development through the use of France's recently-created "competitiveness clusters." However employment suffered an important decline and the rise in energy costs, raw materials and dyes negatively impacted the margins of French companies. End summary.

Production/Consumption

2. (U) In 2006, French textile production experienced a 5 percent setback in volume terms, compared to the previous year. The turnover of French textile/apparel firms, on the other hand, grew by one percent during the same period, reaching 18.2 billion USD (14.5 billion euros). Household consumption increased by 3 percent in volume and 1 percent in value to 35.9 billion USD (29.3 billion euros).

Trade

3. (U) Between 2005 and 2006, the French textile trade balance deteriorated by 5 percent, leading to a deficit of 5.25 billion USD (4.2 billion euros), despite a 2 percent boost in French exports (to 8.4 billion euros, or USD 10.5 billion). This is the first increase in textile exports since 2000. France exports mostly to the EU (Belgium, Italy, Spain, Germany and the UK). However, Tunisia, Morocco and the United States also feature among its top ten customers. France exported USD 302.5 million (241 million euros) in textiles to the United States, its 10th largest customer.

4. (U) Imports followed the same upward trend, increasing by 3 percent to 15.8 billion USD (12.6 billion euros). Imports from EU countries (especially from Italy and Belgium) declined, while those from third countries (China, India, Bangladesh and Tunisia) grew by 7 percent.

Prices and Employment

5. (U) In 2006 consumer prices in the textile/apparel sector increased by 0.2 percent. During the same year, employment declined by 7 percent to 86,070 employees, due in part to increasing productivity and restructuring.

Outlook for 2007: More innovation and clusters

¶6. (U) The UIT is upbeat for 2007 as consumption continued to grow during the first quarter of the year. Technical textiles are experiencing sustained growth, driven in part by French "competitiveness clusters," as are exports to emerging countries such as Russia, Thailand, South Korea and Saudi Arabia. As part of its industrial policy to promote innovation, the GOF has established 67 clusters known as "competitiveness poles" throughout France to create greater synergies between private and public funding, especially in support of SMEs. Three clusters have been developed in the textile sector in northern and southeastern France. They bring together 100 companies working on some 93 projects, together with the French Institute of Textile and Clothing, and some 20 universities and research centers. The UIT has partnered with the French Agency for Innovation (OSEO) and the GOF, which respectively earmarked 8 million euros (10.04 million USD) and one million euros (1.25 million USD) for the textile clusters in 2006.

¶7. (U) France also expects to reap the benefits of its participation in the European technological platform of Textile/Clothing (controlled by EURATEX in Brussels) to accelerate industry adaptation to evolving market conditions. The UIT shares a representative office in Shanghai with counterparts from Germany, Austria and Switzerland. The associations may expand this cooperation to Moscow soon.

¶8. (U) Severe competition from China and the appreciation of the euro against the dollar, the yen and Asian currencies linked to the dollar, are among factors that constrain sectoral growth. Last July, French Prime Minister Francois Fillon spoke in favor of extension of the of the EU's China textile quotas due to expire at the end of 2007. Regardless of whether quotas (or some sort of successor arrangements) are maintained, the UIT is banking on new technologies and technical textiles used in planes, trains, cars,

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buildings and similar applications to widen its customer base, particularly in emerging countries and North America.

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